

**Latin American Montessori Bilingual  
Public Charter School**



**Comparative Financial Statements and  
Auditor's Report**

*For the years ended June 30, 2017 and 2016*

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# Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors  
Latin American Montessori Bilingual  
Public Charter School, Inc.  
1375 Missouri Avenue NW  
Washington, DC 20011

## INDEPENDENT AUDITOR'S REPORT

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Latin American Montessori Bilingual Public Charter School, Inc., (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

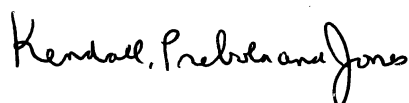
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Latin American Montessori Bilingual Public Charter School, Inc., as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017, on our consideration of the Latin American Montessori Bilingual Public Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Latin American Montessori Bilingual Public Charter School, Inc.'s internal control over financial reporting and compliance.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
September 27, 2017

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 3,869,954	\$ 3,201,016
Accounts Receivable	58,048	18,890
Grants Receivable	112,456	177,978
Promises Receivable	6,291	5,217
Prepaid Expenses	<u>48,545</u>	<u>58,625</u>
Total Current Assets	<u>\$ 4,095,294</u>	<u>\$ 3,461,726</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 8,048,904</u>	<u>\$ 8,299,001</u>
Total Fixed Assets	<u>\$ 8,048,904</u>	<u>\$ 8,299,001</u>
<u>Other Assets:</u>		
Cash Restricted for Long-Term Purposes	\$ 204,999	\$ 203,005
Interest Receivable	-	933
Deposits	<u>53,390</u>	<u>53,556</u>
Total Other Assets	<u>\$ 258,389</u>	<u>\$ 257,494</u>
TOTAL ASSETS	<u>\$ 12,402,587</u>	<u>\$ 12,018,221</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 229,668	\$ 99,707
Accrued Interest Payable	3,426	3,521
Accrued Salary and Vacation	674,232	575,154
Payroll Withholdings and Related Liabilities	152,059	132,900
Refundable Advances	21,838	-
Deferred Revenues	93,707	70,260
Current Portion - Long-Term Debt	<u>137,445</u>	<u>130,665</u>
Total Current Liabilities	<u>\$ 1,312,375</u>	<u>\$ 1,012,207</u>
<u>Long-Term Liabilities:</u>		
Notes Payable	\$ 5,192,219	\$ 5,322,884
Less: Current Portion	(137,445)	(130,665)
Interest Rate Swap	<u>85,907</u>	<u>302,523</u>
Total Long-Term Liabilities	<u>\$ 5,140,681</u>	<u>\$ 5,494,742</u>
Total Liabilities	<u>\$ 6,453,056</u>	<u>\$ 6,506,949</u>
<u>Net Assets:</u>		
Unrestricted	\$ 5,937,812	\$ 5,501,765
Board Designated - PTO	10,628	9,507
Temporarily Restricted	<u>1,091</u>	<u>-</u>
Total Net Assets	<u>\$ 5,949,531</u>	<u>\$ 5,511,272</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,402,587</u>	<u>\$ 12,018,221</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.  
COMPARATIVE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>			<u>June 30, 2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 6,197,506	\$ -	\$ 6,197,506	\$ 5,396,364	\$ -	\$ 5,396,364
Per Pupil Funding Allocation - Facilities Allotment	1,330,824	-	1,330,824	1,207,289	-	1,207,289
Federal Entitlements and Grants	187,775	-	187,775	302,326	-	302,326
State Grants - District of Columbia	24,988	-	24,988	75,834	-	75,834
Private Grants and Contributions	102,996	15,000	117,996	108,861	22,950	131,811
Student Fees	159,366	-	159,366	113,422	-	113,422
Extended Learning Day Program Fees	748,596	-	748,596	524,177	-	524,177
Interest and Dividends	8,013	-	8,013	8,765	-	8,765
Loss on Disposal of Fixed Assets	(702)	-	(702)	-	-	-
<u>Fundraisers:</u>						
Sales	\$ 18,913	\$ -	\$ 18,913	\$ 22,667	\$ -	\$ 22,667
Less: Cost of Direct Benefits to Donors	<u>(14,138)</u>	<u>-</u>	<u>(14,138)</u>	<u>(12,880)</u>	<u>-</u>	<u>(12,880)</u>
Net Revenue from Fundraisers	<u>\$ 4,775</u>	<u>\$ -</u>	<u>\$ 4,775</u>	<u>\$ 9,787</u>	<u>\$ -</u>	<u>\$ 9,787</u>
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>13,909</u>	<u>(13,909)</u>	<u>-</u>	<u>26,150</u>	<u>(26,150)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 8,778,046</u>	<u>\$ 1,091</u>	<u>\$ 8,779,137</u>	<u>\$ 7,772,975</u>	<u>\$ (3,200)</u>	<u>\$ 7,769,775</u>
<u>Expenses:</u>						
Educational Services	\$ 8,121,267	\$ -	\$ 8,121,267	\$ 6,788,231	\$ -	\$ 6,788,231
Fundraising	23,233	-	23,233	25,531	-	25,531
General and Administrative	<u>412,994</u>	<u>-</u>	<u>412,994</u>	<u>373,410</u>	<u>-</u>	<u>373,410</u>
Total Expenses	<u>\$ 8,557,494</u>	<u>\$ -</u>	<u>\$ 8,557,494</u>	<u>\$ 7,187,172</u>	<u>\$ -</u>	<u>\$ 7,187,172</u>
Changes in Net Assets before Change in Fair Value of Interest Rate Swap	\$ 220,552	\$ 1,091	\$ 221,643	\$ 585,803	\$ (3,200)	\$ 582,603
Changes in Fair Value of Interest Rate Swap	<u>216,616</u>	<u>-</u>	<u>216,616</u>	<u>(134,381)</u>	<u>-</u>	<u>(134,381)</u>
Change in Net Assets	\$ 437,168	\$ 1,091	\$ 438,259	\$ 451,422	\$ (3,200)	\$ 448,222
Net Assets, Beginning of Year	<u>5,511,272</u>	<u>-</u>	<u>5,511,272</u>	<u>5,059,850</u>	<u>3,200</u>	<u>5,063,050</u>
Net Assets, End of Year	<u>\$ 5,948,440</u>	<u>\$ 1,091</u>	<u>\$ 5,949,531</u>	<u>\$ 5,511,272</u>	<u>\$ -</u>	<u>\$ 5,511,272</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 438,259	\$ 448,222
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	307,461	307,056
Amortization - Debt Issuance Costs	14,775	14,775
Loss on Disposal of Fixed Assets	702	-
Unrealized Loss/(Gain) on Interest Rate Swap	(216,616)	134,381
Deposits - (Increase)/Decrease	166	(48,056)
Accounts Receivable - (Increase)/Decrease	(39,158)	22,178
Grants Receivable - (Increase)/Decrease	65,522	(10,447)
Promises Receivable - (Increase)/Decrease	(1,074)	28,708
Prepaid Expenses - (Increase)/Decrease	10,080	119
Interest Receivable - (Increase)/Decrease	933	(933)
Accounts Payable - Increase/(Decrease)	129,961	(53,288)
Accrued Interest Payable - Increase/(Decrease)	(95)	(90)
Accrued Salary and Vacation - Increase/(Decrease)	99,078	53,272
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	19,159	17,974
Refundable Advances - Increase/(Decrease)	21,838	-
Deferred Revenues - Increase/(Decrease)	<u>23,447</u>	<u>46,935</u>
Net Cash Flows from Operating Activities	<u>\$ 874,438</u>	<u>\$ 960,806</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (58,066)	\$ (63,155)
Purchase of Money Market - Restricted for Collateral	(203,000)	-
Proceeds on Sale of Money Market - Restricted for Collateral	-	3,000
Purchase of Certificates of Deposit	(204,000)	(203,000)
Proceeds on Sale of Certificates of Deposit	<u>407,000</u>	<u>200,000</u>
Net Cash Flows from Investing Activities	<u>\$ (58,066)</u>	<u>\$ (63,155)</u>
<u>Cash Flows from Financing Activities:</u>		
Repayment on Notes	\$ (145,440)	\$ (138,312)
Interest Restricted for Debt Service	<u>(1,994)</u>	<u>(748)</u>
Net Cash Flows from Financing Activities	<u>\$ (147,434)</u>	<u>\$ (139,060)</u>
Net Increase in Cash and Cash Equivalents	\$ 668,938	\$ 758,591
Cash and Cash Equivalents at Beginning of Year	<u>3,201,016</u>	<u>2,442,425</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,869,954</u>	<u>\$ 3,201,016</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2017 and 2016.
- b) Interest in the amount of \$253,140 and \$262,026, respectively, was paid during the years ended June 30, 2017 and 2016.

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

The Latin American Montessori Bilingual Public Charter School, Inc. (LAMB for short) is a District of Columbia Not-for-Profit Corporation incorporated in 2001 exclusively for educational purposes. LAMB's mission is to lay a foundation of knowledge, habits, attitudes, and skills, which are essential for a lifetime of creative thinking and learning. The overall goal is bi-literacy in English and Spanish. To achieve that, LAMB creates child-centered learning environments for pre-school through 5<sup>th</sup> grade children, utilizing hands-on Montessori materials which are developmentally appropriate, self-correcting, sequenced and flow from simple to complex in order for students to develop academically, socially and emotionally. LAMB's primary sources of support are local appropriations for Charter Schools from the District of Columbia Government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

**Contributions**

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

The Charter School reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Charter School reports expirations of donor restrictions when the donated or acquired assets are placed in service.

**Federal and Charter School Funding**

The Charter School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment as well as funding for English as a second language. The Charter School recognized this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a refundable advance.

Federal entitlements are recognized based on the allowable costs incurred.



LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

**Extended Learning Day Program**

The Charter School offers fee-based extended day programming for students in grades pre-school through 5<sup>th</sup> grade. The hours of operation are structured to coincide with the typical workday of parents of the students. Both the before and after care programs offer food services. Tuition is collected based on a monthly fee. The amount of tuition ranges from full tuition to reduced tuition based on the National School Lunch Program guidelines.

(c) Corporate Taxes:

The Latin American Montessori Bilingual Public Charter School is exempt from federal income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective February 14, 2006. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The Charter School did not have any net unrelated business income for the years ended June 30, 2017 and 2016.

The Latin American Montessori Bilingual Public Charter School is also exempt from District of Columbia sales, real estate, and personal property taxes.

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia Government. These grants are subject to financial and compliance audits by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

Cash receipts in excess of costs incurred for grants are reflected as refundable advances until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as grants receivable.

(e) Net Assets:

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the Charter School is required to report information regarding its financial position and activities according to three classes of net assets.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

**Unrestricted Net Assets**

Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions. Board designated funds in the amount of \$10,628 and \$9,507 as of June 30, 2017 and 2016, respectively, were for the purpose of Parent Teacher Organization activities.

**Temporarily Restricted Net Assets**

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets were available at year end for the following purpose:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
CHISPA Project	\$ <u>1,091</u>	\$ <u>-</u>
Total	\$ <u>1,091</u>	\$ <u>-</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, the passage of time, or by the occurrence of events specified by donors for the following activities:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Art Education	\$ 10,000	\$ 10,000
CHISPA Project	3,909	8,200
After School Tutoring	<u>-</u>	<u>7,950</u>
Total Released	\$ <u>13,909</u>	\$ <u>26,150</u>

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Permanently Restricted Net Assets**

Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2017 and 2016.

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services.

In-kind contributions are recorded in the Statement of Activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. There are no donated services and materials recorded in the financial statements as of June 30, 2017 and 2016.

(g) Basic Programs:

In School Year 2016-2017, LAMB has 426 students (Latino 52%, Black 22%, White 21%, Multi-racial 4%, Asian 1%). Twenty-nine percent of LAMB students are eligible for free and reduced lunch, 49% are English language learners and 14% are students with special needs.

There are other Montessori schools (chartered, traditional, private) in the District of Columbia, but LAMB is the only public, chartered, Montessori, bilingual, primary and elementary education school in the tri-state area and one of only a few nationally. LAMB is audited annually, has a valid Business License, and Certificate of Clean Hands. LAMB is accredited by Middle States of Colleges and Schools and recognized by the DC Public Charter School Board as a Tier 1 school.

**Leadership/governance of the organization and their respective roles**

LAMB is governed by an all-volunteer Board of Directors. The Board is responsible for school governance, strategic planning, major policy decisions, ensuring compliance with federal and state law, fulfilling charter contract with the DC Public Charter School Board, including academic, financial, legal and fiduciary, and hiring and evaluating the executive director. School leadership or management is conducted by co-founders and senior administrators Cottman and Encinas who lead a staff of 95 in two facilities. Management/administration is paid staff and responsible for the day-to-day school operations; i.e., operationalizing school mission: instruction, curriculum, development, student assessment, school climate, non-academic, school safety and human resources school-wide.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

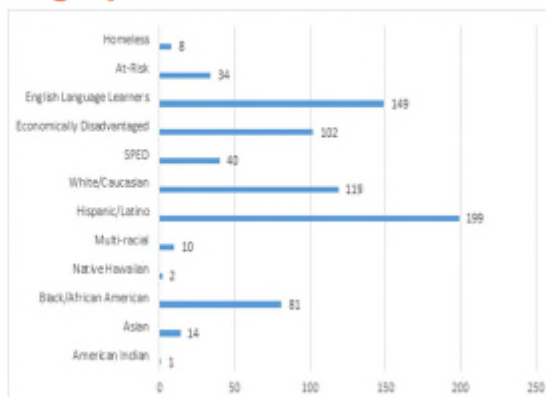
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

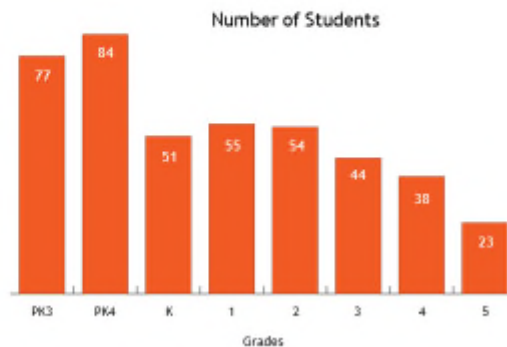
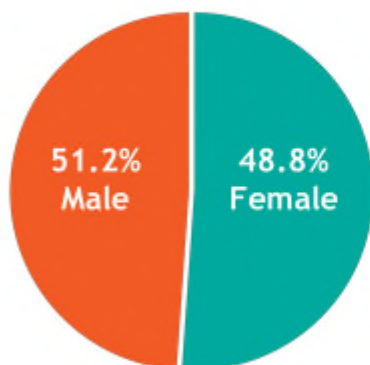
**Basic Programming**

LAMB serves children PK3 to 5<sup>th</sup> grade. LAMB classes are organized into multi-age groupings: Primary (PK3 to Kindergarten), Lower Elementary (1<sup>st</sup> to 3<sup>rd</sup> grades) and Upper Elementary (4<sup>th</sup> to 5<sup>th</sup> grades). Traditionally, students remain in the same classroom for three years and have the experience of being the youngest and the oldest within the group.

**Who Are We? - Demographics SY 2016-2017**



**Who Are We? - Demographics SY 2016-2017**



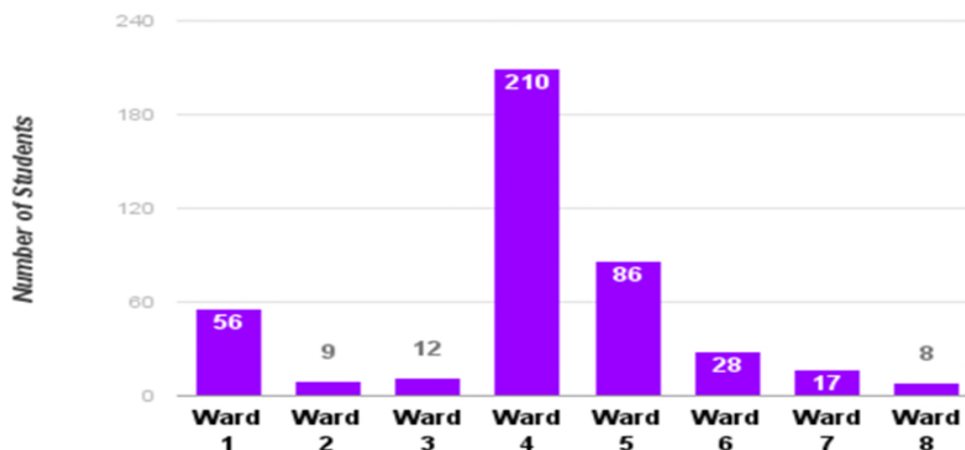
LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

**Basic Programming** (Continued)

LAMB's mission is to create a self-directed learning environment in which children build a foundation of knowledge essential for a lifetime of learning while developing bi-literacy in English and Spanish. Our purpose is to create a bilingual school environment that enables students to learn in a self-directed manner. In order to accomplish our mission, LAMB utilizes the Montessori philosophy and pedagogy to provide children with an environment of academic excellence that celebrates their cultures and languages and leaves no question about their value as a human being.



In order to ensure full bilingual capacity upon graduation, LAMB only enrolls children at the primary level and expands proportionally, as children age through the elementary program. There are two teachers in each class. LAMB's dual language immersion program is attractive to English language learners and monolingual families alike. Students with special needs learn in the least restrictive environment, and a team of specialists guided by a Special Education Coordinator ensures that that students' Individualized Education Plans are fully implemented.

LAMB operates 180 school days, 30 minutes longer than some other schools (8:30 - 3:00 for primary, 8:15 - 3:30 for elementary), plus an additional four weeks during the summer. LAMB also offers an Extended Learning Day Program which provides an opportunity for at-risk students to be engaged in an additional 2.5 hours daily to work on targeted skills improvement and engage in supervised extra-curricular activities, including STEM, sports and arts activities.

LAMB operates from two sites: 1375 Missouri Avenue, NW, in Ward 4 and 1800 Perry Street, NE, in Ward 5. Over the next six years, LAMB will grow to serve 600 students, and expand to Walter Reed for a third site. Each site will serve approximately 180 to 220 students. For the upcoming school year, LAMB will add a third site at Walter Reed and some of the elementary students from both Missouri and Perry Street will be transferred to Walter Reed. Next year, in total LAMB will have between 460 and 475 students.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

**Program Description**

In many successful educational programs, there are two elements that stand out: working with the children at their own levels and giving them the appropriate skills and concrete tools to build confidence in themselves and their communities. The Montessori educational philosophy incorporates, at its core, "following the child," and respecting the child's cultural and developmental identities. A good bilingual program enriches the child's first language and culture and develops the second language and culture while supporting the first.

Our Annual Priorities based on our Strategic Plan:

1. Increase Academic Achievement
2. Intensify Operational Effectiveness
3. Enhance Professional Development
4. Develop and communicate a clear Growth Matrix and Facility(ies) Development Plan

LAMB marries the two educational pedagogies. LAMB students experience a two-way immersion program in which their individual needs are met through Montessori classes conducted in English and Spanish. LAMB is multi-lingual, but the two major mother languages spoken at LAMB are English and Spanish. The students' native languages, English or Spanish, are enriched by their acquisition of a second, and in some instances a third language. For nearly one hundred years, Maria Montessori's educational techniques have been successfully used in dual language schools throughout Europe, Africa, and Asia.

LAMB's goal is that students will be bilingual and bi-literate, able to read and write on grade level in both English and Spanish by the end of 5<sup>th</sup> grade. Research on second language acquisition indicates that it takes 5-7 years for a child to develop proficiency in academic language equivalent to that of a native speaker. With bi-literacy as a goal, students must enroll in the school at 3 or 4 years old in order to continue through the elementary program. These additional years in our bilingual program ensures that LAMB students are fully bilingual before transitioning to middle school programs. For English language learners, this means that they will have the opportunity to exit "ELL" status before they transition to middle school. Many exit by 3<sup>rd</sup> grade. Mission-related goals focus on developing oral reading fluency in Spanish and English and comprehension skills in both languages.

Classroom manipulative materials are a Montessori trademark. Montessori materials are designed so that students receive instant feedback as they work, allowing them to recognize, correct, and learn from their mistakes without adult assistance. Putting control of the activity in the students' hands strengthens their self-esteem and self-motivation as well as learning.

The Montessori cultural curriculum (science and social studies) forms the basis of the elementary curriculum with language arts and mathematics covered in integrated, inter-disciplinary units of study. LAMB believes that the elementary years are a period when students learn how to learn.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

**Program Description** (Continued)

The students have a limitless imagination and great energy for memorizing facts. Students exhibit especially strong interest in geography, history, anthropology, biology, earth science, and astronomy. Montessori elementary classrooms are research and project focused with an emphasis on taking field trips, conducting experiments, and bringing in guest presenters who can provide students with “real world” experiences beyond what they can read about in a book or online.

The Montessori elementary "Cosmic Curriculum" is built around the five Great Lessons given at the beginning of each year: creation of the universe; coming of plants and animals; arrival of humans; beginning of language; and development of math and invention. Students remain in the same multi-age classroom for three years, and they experience the telling of the Great Lessons as a classroom tradition. Each year the new youngest students in a class gather for these five group lessons. The older, returning children may come to the lesson if they like, or hear them from afar, experiencing them differently each time depending upon their own growth in understanding. The teacher designs each Great Lesson using stories, music, impressionistic charts, experiments, and games. Following the presentations of the Great Lessons, teachers offer students more specific key lessons that isolate concepts and refine student understanding.

The non-academic goals target social emotional competency and emphasize the school’s overarching goals of peaceful communication and living where there is a demonstrated respect for self, others and the environment. Self-directed learning and critical thinking are key to developing the confidence and competence to be a contributing member of the community.

LAMB uses the Montessori Grace and Courtesy curriculum and the Practical Life curriculum to help students build the social skills, practical skills, and "know-how" to succeed in life both inside and outside of school settings. Grace and Courtesy and Practical Life lessons involve explicit modeling of manners, common social graces, cooking and cleaning, basic sewing and construction tasks, event planning, service projects, etc.

**Parent Involvement**

The primary participation expected of all parents is volunteerism, attendance at the scheduled parent-teacher conferences each quarter and attendance at special events and workshops organized by teachers, children, and the school administration. Parental involvement is also encouraged through a parent education program. Parents can participate in workshops on topics such as Montessori education, dual language immersion, and behavior management. LAMB conducts parent satisfaction surveys following these events and alters and develops future parent education sessions based on interest and need. LAMB also has an active PTO, which fundraises for its own operational costs and to support school operations. The Arriba Campaign is the annual fundraiser that parents conduct. This year they raised \$86,189 of which only \$3,625 was restricted to mental health services following a stressful year.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

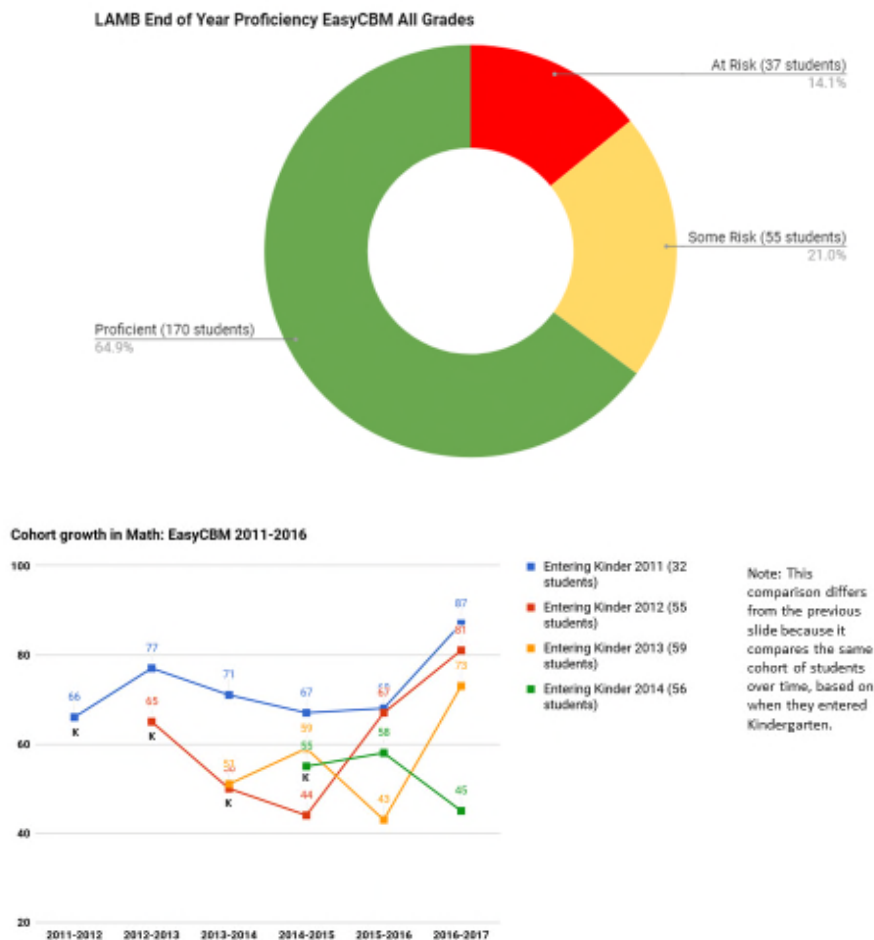
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

**Assessments**

LAMB utilizes a variety of assessments and evaluation tools. Test results are made available regularly and in a user friendly format. LAMB tracks and reports student performance data to determine the degree to which it is meeting its academic and non-academic goals, and to provide increased instructional opportunities as needed.

The Partnership for Assessment and Readiness for College and Careers (PARCC), the high stakes test mandated and managed by the Office of the District of Columbia State Superintendent of Education (OSSE). The PARCC results will not be published until 8/15/2017. In the meantime, LAMB has begun the analysis of DIBELS (English), IDEL (Spanish) and easyCBM (Math). LAMB End of Year Proficiency EasyCBM for all grades is below followed by DIBELS and IDEL.



These results will be analyzed by cohorts to better plan for instructional interventions during 2017-2018.



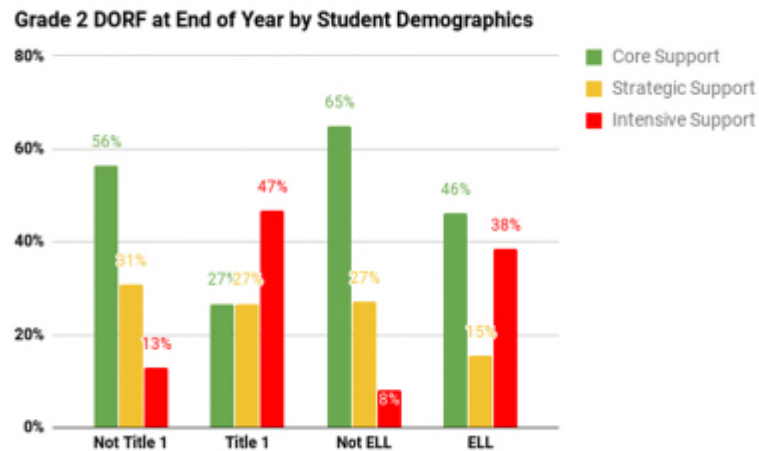
LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

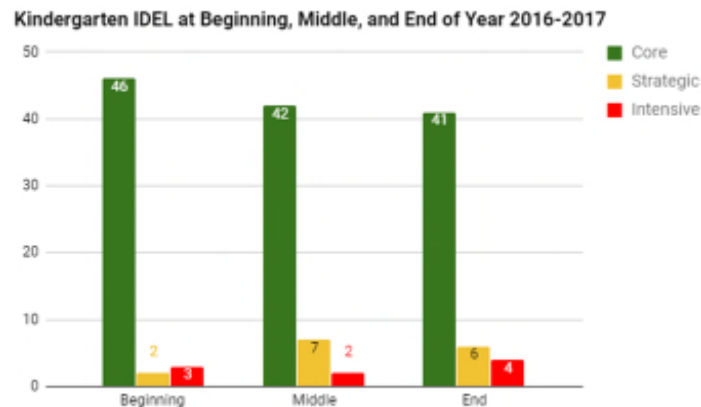
(g) Basic Programs: (Continued)

**Assessments** (Continued)

Similar analysis is done for Spanish and English language arts proficiency. A sample of both assessments follow:



We cross analyze this test results based on student risk factors such as English Language Learners (ELL) Title I and Special Education Students.



Finally, accurate financial reporting is very important to LAMB's success. Individual and corporate donors and families review financial reports for information on which to base their decision to grant funds to LAMB and/or to enroll their children in LAMB. LAMB's governing body reviews financial statements monthly, note any irregularities or problem areas and counsel and make adjustments or corrections where needed to ensure the financial health and stability of the school.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

**Unique Accomplishments**

LAMB achieved Tier 1 status for a fifth straight year based on PCSB rankings. This Tier 1 ranking, which indicates high standards of performance, is based on the 2016 results of the Performance Management Framework (PMF), PCSB's annual tool for assessing and monitoring charter school performance. In addition to meeting its 15 goals and academic achievement expectations, LAMB is academically high performing on PCSB's Performance Management Framework. It is one of few charter schools that has scored Tier One all four years that PCSB has used the Elementary/Middle School PMF to measure the performance of schools. Aside from academic proficiency, LAMB is meeting its mission and its school's suspension rate is lower than the state average.

As an affiliate, LAMB continues to work with the National Council of la Raza, newly named UNIDOS. This year's CHISPA Program ("Children Investigating Science with Parents and Afterschool") had another successful year, partnering with the Smithsonian National Museum of Natural History and delivering exciting hands-on science activities in Spanish and English to children in K-5. In the spring, UNIDOS sent a team, including videographer to LAMB and other sites where CHISPA is offered to capture what CHISPA is all about through interviews, pictures and videos. The National Science Foundation promoted the video. <https://vimeo.com/210203077> password: websedge

In past years, the DC Association of Chartered Public Schools has recognized LAMB's Upper Elementary Teacher as Most Outstanding Teacher of the Year and both LAMB's senior administrators, Diane Cottman, Executive Director and Cristina Encinas, Principal have been honored by the same body. LAMB also recently went through re-accreditation by Middle States and re-accredited for 7 years. And, this year's Arriba Campaign 2017, which is organized by LAMB parents, raised \$86,189.

In the student lottery, LAMB received 909 eligible applications for enrollment in School Year 2017-2018.

<b>School Year 2017-2018 Lottery Breakdown</b>	
643	PK3 lottery applications received
360	PK4 lottery applications received
181	Ineligible lottery applications received
1184	Total lottery applications received

For School Year 2017-2018, LAMB will open a new site, co-locating with DC International, at Walter Reed, the former army base. LAMB will only serve elementary students at that site and intends to move the entire school under one roof within five years.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

**Walter Reed Update**

After much planning, negotiating and waiting, LAMB is about to move into Walter Reed Delano Hall in mid-August. LAMB will be co-located with DC International Middle-High School (DCI), which five language focused elementary schools came together to create.

More than 150 construction workers have been thanked for all of their hard work on the project as they make the final push to get all the work completed. Delano Hall is looking great on the inside. MCN Build, our General Contractor, continues to make tremendous progress. The Certificate of Occupancy is scheduled for August 14<sup>th</sup> and LAMB elementary students begin at Walter Reed at the end of the month. There will continue to be work on site as DCI has on-going construction to complete its Science/Art/Gym addition.

(h) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising costs relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, materials, instructional supplies, assessment material, contract educational services, and field trips) are allocated entirely to program services.

Personnel expenses for salaries are allocated based on job descriptions and management estimates of time spent on particular activities. Personnel expenses for salaries are divided into employee categories (executive, teachers, other educational staff, etc.) and then a percentage of time devoted to program services, general and administrative activities, and fundraising activities is applied. All other personnel expenses (employee benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for personnel expenses is utilized for cost allocation purposes.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(k) Fair Value of Certain Financial Instruments:

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(l) Certificates of Deposit:

Certificates of deposit are other investments with original maturities greater than three months and are carried at original cost plus reinvested interest. The certificates of deposit do not qualify as securities as defined in Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") 320, *Investments - Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

(m) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in the net assets or to total net assets from the prior years.

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Latin American Montessori Bilingual Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS: (Continued)

As of June 30, 2017, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the organization files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2017, the Charter School had no accruals for interest and/or penalties.

3. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT:

**Cash and Cash Equivalents**

Cash at June 30, 2017 and 2016 totaled \$4,074,953 and \$3,201,021, respectively, and consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Interest Bearing Checking Accounts	\$ 1,378,781	\$ 1,173,734
Savings Account - Interest Bearing	1,011,190	1,005,743
Money Market - Interest Bearing	456,620	251,475
Non-Interest Bearing Checking Accounts	202,180	210,887
Repurchase - Sweep Checking Account		
- Interest Bearing	1,024,182	557,182
Repurchase - Sweep Checking Account		
- Non-Interest Bearing	<u>2,000</u>	<u>2,000</u>
Total	<u>\$ 4,074,953</u>	<u>\$ 3,201,021</u>

**Certificates of Deposit**

Certificates of Deposit are valued at original cost. Balances at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Certificates of Deposit	<u>\$ -</u>	<u>\$ 203,000</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

The Latin American Montessori Bilingual Public Charter School maintains its operating funds in six separate financial institutions. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per account category. Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total insured up to \$250,000.

As of June 30, 2017 and 2016, \$2,644,003 and \$1,871,373, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

3. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT: (Continued)

The Latin American Montessori Bilingual Public Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

The Latin American Montessori Bilingual Public Charter School has entered into a sweep-account agreement with Industrial Bank whereby on a daily basis at the close of business available funds are automatically invested into an interest bearing checking account. The amount transferred at the close of business on June 30, 2017 and 2016, respectively, was \$1,021,387 and \$554,298.

As a condition of the mortgage with M&T Bank, an amount of \$200,000 plus reinvested interest is required to be deposited into a reserve account for the purpose of debt service payments in the event the Latin American Montessori Bilingual Public Charter School lacks sufficient funds to make the required mortgage payments. Total cash restricted as of June 30, 2017 and 2016 was \$204,999 and \$203,005, respectively.

4. FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board ASC Topic No. 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC No. 820-10 are described as follows:

Level 1 - Valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2 - Valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (such as interest rate and yield curves);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable (Supported by little or no market activity) and not corroborated by market data. Unobservable inputs reflect the organization's estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE MEASUREMENTS: (Continued)

Following is a description of the valuation methodologies used for liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

*Interest Rate Swaps:* Valued based on several market inputs such as interest rates, swap spreads and yield curves.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Charter School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following tables set forth by level, within the fair value hierarchy, the Charter School's liabilities measured at fair value as of June 30, 2017 and 2016.

<u>June 30, 2017</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest Rate Swap	\$ -	\$ 85,907	\$ -	\$ 85,907
Total	<u>\$ -</u>	<u>\$ 85,907</u>	<u>\$ -</u>	<u>\$ 85,907</u>
<u>June 30, 2016</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest Rate Swap	\$ -	\$ 302,523	\$ -	\$ 302,523
Total	<u>\$ -</u>	<u>\$ 302,523</u>	<u>\$ -</u>	<u>\$ 302,523</u>

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

**Accounts and Grants Receivable**

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 55,484	\$ 16,433
Extended Learning Day Program Fees	823	1,502
Reimbursable Expenses	587	-
Employees	180	180
Other	<u>974</u>	<u>775</u>
Total	<u>\$ 58,048</u>	<u>\$ 18,890</u>

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

**Accounts and Grants Receivable** (Continued)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Grants Receivable</u>		
Individuals with Disabilities Education Act	\$ 53,728	\$ 13,992
No Child Left Behind - Entitlement	38,897	19,407
National School Lunch Program	18,458	14,896
State Healthy Schools Act	1,373	1,208
Quality Zone Academy Bonds - DC	-	79,183
Increasing Academic Quality	-	48,006
State Farm Field Trip Grant	<u>-</u>	<u>1,286</u>
Total	<u>\$ 112,456</u>	<u>\$ 177,978</u>

The Charter School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for the amounts owed to it through the year and at year end.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2017 and 2016.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable when payment has not been received after 180 days.

**Promises Receivable**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Balances at year end consisted of the following.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
General	\$ 6,291	\$ 5,217
Total Promises Receivable	<u>\$ 6,291</u>	<u>\$ 5,217</u>

The above unconditional promises are due to be received within the next year.



LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

6. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$500 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2017 and 2016 was \$307,461 and \$307,056, respectively. Capitalized interest has been recorded as an addition to buildings and improvements in the amount of \$97,927 during the year ended June 30, 2009. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2017:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building and Improvements	10-39 Years	\$ 9,398,518	\$ 2,197,379	\$ 7,201,139
Land	-	721,000	-	721,000
Computer and Office Equipment	3-5 Years	<u>475,001</u>	<u>348,236</u>	<u>126,765</u>
Total		<u>\$ 10,594,519</u>	<u>\$ 2,545,615</u>	<u>\$ 8,048,904</u>

June 30, 2016:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building and Improvements	10-39 Years	\$ 9,398,518	\$ 1,954,168	\$ 7,444,350
Land	-	721,000	-	721,000
Computer and Office Equipment	3-5 Years	<u>440,217</u>	<u>306,566</u>	<u>133,651</u>
Total		<u>\$ 10,559,735</u>	<u>\$ 2,260,734</u>	<u>\$ 8,299,001</u>

7. INTEREST RATE SWAP:

On June 26, 2013, the Charter School entered into an interest rate swap agreement with the Manufacturers and Traders Bank (M & T Bank) for a notional amount equal to the obligation under the loan payable whereby a portion of the floating rate was swapped into a fixed rate. Under the agreement, the Charter School pays the bank interest at a fixed rate of 4.71% on the principal loan balance through the termination date of the swap agreement, which is June 26, 2020.

The swap mechanism is intended to allow the Charter School to realize the potential benefit of a lower fixed rate by reducing the impact of market changes in the variable interest rate. Interest expense related to the interest rate swap for the years ended June 30, 2017 and 2016 was \$81,112 and \$105,476, respectively. At June 30, 2017 and 2016, the fair value of the interest rate swap was \$85,907 and \$302,523, respectively and has been reflected as a liability in the Statements of Financial Position.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

8. LOANS PAYABLE:

Manufacturers and Traders Bank:

On June 26, 2013, the Latin American Montessori Bilingual Public Charter School entered into a term loan with the Manufacturers and Traders Bank (M & T Bank) in the amount of \$5,780,000. This note was for the purpose of consolidating and refinancing all existing debt as it related to the purchase and renovation of the building and land located at 1375 Missouri Avenue, NW. The proceeds were utilized to extinguish debt with United Bank, Building Hope and the Reinvestment Fund in the total amount of \$5,761,692, as well as assist in the financing of a portion of the related loan acquisition and closing costs in the amount of \$18,308. This note calls for consecutive monthly installments of principal and interest each payable over a seven (7) year period based on a twenty-five (25) year amortization.

Maturity on this mortgage is scheduled for June 26, 2020, at which point there is a balloon payment of any remaining outstanding principal and unpaid interest currently scheduled to be in the amount of \$4,772,739. Principal payments are to be made on a monthly basis with yearly level installments adjusted annually on the anniversary date of the loan. The initial monthly principal installment was due on July 26, 2013, in the amount of \$10,575. This note bears interest on a variable basis at two-and-one-half percentage points (2.50%) above the one-month LIBOR rate.

The Charter School entered into an interest rate swap agreement with M & T Bank to hedge floating rate exposure. The seven (7) year swap rate that was fixed at settlement was 2.21%. The effect of coupling the one-month LIBOR rate with a swap agreement is a fixed rate of 4.71%. This loan is secured by the property located at 1375 Missouri Avenue, NW, Washington, DC, together with a security interest in the organization's assets. M & T Bank's security interest was recorded as the first deed of trust. As a condition of this loan, the Charter School must maintain a debt service fund with M & T bank with a deposit in the amount of \$200,000 plus reinvested interest.

As a provision of this loan, the Charter School is permitted to prepay any portion or the principal balance, however they may be subject to a "breakage fee." In the event the swap rate at the time of payoff is lower than the seven (7) year rate established on the day of closing (currently 2.21%), the School would be required to pay an expense equal to the difference between 2.21% and the swap rate at the time of payoff for the number of years remaining in the agreement.

As required by this loan, the America's Charter School Finance Corporation, an affiliate of Building Hope, a Charter Schools Facility Fund, has provided a limited guarantee in the amount of \$340,000. The term of the guarantee is for a seven (7) year period or until the loan to value ratio reaches the standard 80% required by M & T Bank.

The balance of this loan at June 30, 2017 and 2016 prior to netting debit issuance costs was \$5,236,544 and \$5,381,984, respectively. Future minimum required payments of principal and interest on this loan for the next three years are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 398,969	\$ 152,220	\$ 246,749
2019	398,638	159,312	239,326
2020	<u>4,948,581</u>	<u>4,925,012</u>	<u>23,569</u>
Total	<u>\$ 5,746,188</u>	<u>\$ 5,236,544</u>	<u>\$ 509,644</u>

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

8. LOANS PAYABLE: (Continued)

Debt Issuance Costs:

During the year ended June 30, 2017, the Charter School retroactively adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the related debt rather than as an asset. Long-term debt as of June 30, 2016, was previously reported on the statement of financial position as \$5,381,984 with the associated \$59,100 unamortized debt issuance costs included in other assets. Amortization of the debt issuance costs is reported as interest expense in the Schedules of Functional Expenses. Long term debt at June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Notes Payable	\$ 5,236,544	\$ 5,381,984
Less: Unamortized Debt Issuance Costs	<u>(44,325)</u>	<u>(59,100)</u>
Subtotal	\$ 5,192,219	\$ 5,322,884
Less: Current Portion - Principal	(152,220)	(145,440)
Less: Current Portion - Debt Issuance Amortization	<u>14,775</u>	<u>14,775</u>
Total Long-Term Debt, Less Current Portion	<u>\$ 5,054,774</u>	<u>\$ 5,192,219</u>

9. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was initially approved by the District of Columbia Board of Education and later reaffirmed by the District of Columbia Public Charter School Board, to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the School's fiscal management and academic acceptability. The contract dated September 19, 2001, provides for a 15-year charter, unless sooner terminated in accordance with the contract. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Latin American Montessori Bilingual Public Charter School is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the charter every five years, with the most recent review occurring in the fall of 2014. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2017 and 2016, the Charter School incurred \$86,491 and \$78,254, respectively, in administrative fees.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

9. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT: (Continued)

The charter contract provides that the Latin American Montessori Bilingual Public Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2017, was not permitted to be greater than 430 students. Audit enrollment for the 2016/2017 year averaged between 423 and 426 students and enrollment for the 2015/2016 year averaged between 372 and 374.

10. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2017, the per-student rate ranged from \$9,682 to \$12,974 for the educational allotment and \$3,124 for the facility allotment. For the year ended June 30, 2016, the per-student rate ranged from \$9,492 to \$12,719 for the educational allotment and \$3,124 for the facility allotment. Additional allotments were made for Special Education Services and English as a Second Language. Per-pupil funding for the years ended June 30, 2017 and 2016 was as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Grade Level - Pre-School - 5 <sup>th</sup> Grade	\$ 4,770,128	\$ 4,072,258
Special Education	566,657	534,821
Summer School	-	50,816
English as a Second Language	759,069	651,151
Facilities Allowance	1,330,824	1,207,289
At-Risk Students	<u>101,652</u>	<u>87,318</u>
Total	<u>\$ 7,528,330</u>	<u>\$ 6,603,653</u>

11. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2017 and 2016, the Latin American Montessori Bilingual Public Charter School participated in the following federal award programs:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
National School Lunch Program	\$ 95,150	\$ 82,443
Individuals with Disabilities Education Act (IDEA 611)	52,480	40,975
Elementary and Secondary Education Act (Title III)	21,635	10,624
Elementary and Secondary Education Act (Title II)	17,263	18,288
Individuals with Disabilities Education Act (IDEA 619)	1,247	987
Mental Health Grant	-	5,000
Donated Commodities	-	5,602
Replication and Growth	-	100,000
Increasing Academic Quality	<u>-</u>	<u>38,407</u>
Total	<u>\$ 187,775</u>	<u>\$ 302,326</u>

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

11. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

Federal formula grants are allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project.

The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education.

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

12. COMMITMENTS:

TYCO Integrated Security Leases:

The Latin American Montessori Bilingual Public Charter School entered into four separate contracts with TYCO Integrated Security (formerly ADT) each with their own terms and expiration dates. Payments are required on a quarterly basis for Access Control, Burglar Alarm, Camera and Intercom, and Fire Alarm. Each contract is subject to escalation on a yearly anniversary date. If these leases are not cancelled thirty (30) days prior to expiration, they automatically renew for one full year. Quarterly payments required at June 30, 2017 and 2016 were \$3,913 and \$3,895, respectively. The expense related to these operating leases for the years ended June 30, 2017 and 2016 was \$15,640 and \$15,092, respectively.

Building Lease - 3825 18<sup>th</sup> Street (Charter School Incubator Initiative):

The Latin American Montessori Bilingual Public Charter School entered into a sub-sublease rental agreement on May 1, 2013, with the Charter School Incubator Initiative (the sublessee) for the rental of a school facility located at 3825 18<sup>th</sup> Street, NE, in Washington, DC. The rental lease is effective for a fifteen-year period commencing on July 1, 2013, and expiring on June 30, 2028. The School has the right to cancel this agreement any time after June 30, 2018, provided that a one-year notification is given. As a requirement of this lease, a total rental security deposit of \$5,000 was to be made. This lease calls for quarterly lease payments of \$163,125 based on a total "Full Service Market Yearly Usage Fee" of \$652,500 for the entirety of the lease. This fee has been calculated using a full service market rate of \$29 per square foot. The annual usage fee is full service and includes all utilities (gas, water, electricity, and trash removal), building engineering, janitorial, maintenance and repairs, security monitoring and property management. As a provision of this lease, the Latin American Montessori Bilingual Public Charter School has provided the Charter School Incubator Initiative a first priority lien on, and security interest in any and all revenues, grants, awards and other payments, which fund in whole or in part, any of the operating costs of the subleased premises.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

12. COMMITMENTS: (Continued)

Building Lease - 3825 18<sup>th</sup> Street (Charter School Incubator Initiative): (Continued)

In addition to the sublease agreement, the Charter School Incubator Initiative (grantor) has provided a grant to the Latin American Montessori Bilingual Public Charter School to supplement the annual required usage fee. The grantor offers “Full Service Below Market Usage Fees” calculated as the number of students enrolled on each census date (October) multiplied by the per pupil facilities allowance provided by the District of Columbia Government (currently \$3,124 per student). The Charter School Incubator Initiative will provide a grant for the term of the sub-sublease (15 years) on an annual basis as the difference between the Full Service Market Usage Fee and the Full Service Below Market Usage Fee. Rent expense on this lease for the year ended June 30, 2017, was \$524,832, which consisted of required lease payments of \$652,500 and a rent subsidy of \$127,668. Rent expense on this lease for the year ended June 30, 2016, was \$634,172, which consisted of required lease payments of \$652,500 and a rent subsidy of \$18,328.

Building Lease - 3825 18<sup>th</sup> Street (Perry Street Prep):

The Latin American Montessori Bilingual Public Charter School entered into a sub-sublease rental agreement on June 23, 2016, with the Perry Street Prep Public Charter School (the sublessee) for the rental of a school facility located at 3825 18<sup>th</sup> Street, NE, in Washington, DC. The rental lease is effective for a twelve-year period commencing on July 1, 2016, and expiring on June 30, 2028. The School has the right to cancel this agreement any time after June 30, 2018, provided that a one-year notification is given. As a requirement of this lease, a total rental security deposit of \$48,140 was to be made. This lease calls for quarterly lease payments of \$72,210 based on a total “Full Service Market Yearly Usage Fee” of \$288,840 for the entirety of the lease. This fee has been calculated using a full service market rate of \$29 per square foot. The annual usage fee is full service and includes all utilities (gas, water, electricity, and trash removal), building engineering, janitorial, maintenance and repairs, security monitoring and property management. As a provision of this lease, the Latin American Montessori Bilingual Public Charter School has provided the Perry Street Prep Public Charter School a first priority lien on, and security interest in any and all revenues, grants, awards and other payments, which fund in whole or in part, any of the operating costs of the subleased premises. Rent expense related to this lease for the years ended June 30, 2017 and 2016 was \$280,840 and \$-0-, respectively. Future required minimum rental lease payments for the next 5 years are as follows:

<u>Year Ending June 30,</u>	<u>Required Lease Payment</u>
2018	\$ 288,840
2019	288,840
2020	288,840
2021	288,840
2022	<u>288,840</u>
Totals	<u>\$ 1,444,200</u>

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

12. COMMITMENTS: (Continued)

Building Lease - 1399 Aspen St, NW (District of Columbia International School):

The Latin American Montessori Bilingual Public Charter School entered into a sublease rental agreement in November 2016 with the District of Columbia International School for the rental of a school facility located at the former Walter Reed Army Medical Center in Washington, DC. The rental lease is effective for a twenty-nine-year and eleven-month period after the commencement date. As a requirement of this lease, a total rental security deposit of \$130,166 is to be made. A reserve in the amount of \$25,000 is also required. This lease calls for quarterly lease payments. Annual base rent for year one is \$468,600, which is from the Substantial Completion date to June 30, 2018. If the Substantial Completion date occurs after September 30, 2017, and the Charter School is not operating its charter school on the premises, the Charter School will not be required to pay any base rent for the initial term. If the Substantial Completion date occurs after September 30, 2017, and LAMB is operating its charter school on the premises, the base rent will pay a pro rata share of the applicable base rent based on the number of days the building is occupied. Year two annual rent is \$624,800 and year three annual base rent is \$781,000. Each year thereafter, the base rent will increase by the lesser of (a) the percentage increase in the per pupil facilities allowance from the prior year or (b) three percent (3%). There was no rent expense on this lease for the year ended June 30, 2017.

Unsecured Credit Card:

The Latin American Montessori Bilingual Public Charter School utilizes a credit card issued by Bank of America for purchases related to the Organization's activity. The credit card is issued in the name of the Charter School with an unsecured credit limit of \$25,000.

13. RELATED PARTY TRANSACTIONS:

Business Transactions:

The Latin American Montessori Bilingual Public Charter School entered into a sub-sublease rental agreement on May 1, 2013, with the Charter School Incubator Initiative for the rental of a school facility located at 3825 18<sup>th</sup> Street, NE, in Washington, DC. The rental lease is effective for a fifteen (15) year period commencing on July 1, 2013, and expiring on June 30, 2028. A board member of the Latin American Montessori Bilingual Public Charter School is an officer on the board of the Charter School Incubator Initiative. Rental lease payments made to the Charter School Incubator Initiative for the years ended June 30, 2017 and 2016 was \$524,832 and \$634,172, respectively.

Contributions:

Various board members and employees of the Latin American Montessori Bilingual Public Charter School, organizations for which they are affiliated, and relatives of board members gave contributions to the organization in the amount of \$11,947 and \$9,098 during the years ended June 30, 2017 and 2016, respectively.

District of Columbia International School:

During the year ended June 30, 2016, the Latin American Montessori Bilingual Public Charter School passed through total federal funds of \$75,000 to the District of Columbia International School.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

13. RELATED PARTY TRANSACTIONS: (Continued)

Board Members:

Some of the Board Members have children that are currently enrolled in the Latin American Montessori Bilingual Public Charter School.

14. CONCENTRATIONS:

Revenues:

The Latin American Montessori Bilingual Public Charter School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2017 and 2016, eighty-six percent (86%) and eighty-five percent (85%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal foundation grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DC PCSB).

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

15. CONTINGENCIES:

The Latin American Montessori Bilingual Public Charter School was granted its initial charter by the District of Columbia Board of Education and then later reaffirmed by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Latin American Montessori Bilingual Public Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding funds) could adversely affect the Charter School's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's board of directors and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.



LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

15. CONTINGENCIES: (Continued)

Laws and regulations governing charter schools are complex and subject to interpretation. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

16. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 27, 2017, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

Enrollment:

Enrollment for the 2017/2018 school year is projected to be approximately four hundred and sixty-two (462) students. These enrollment numbers are up from the current enrollment number four hundred and twenty-six (426) students during the 2016/2017 school year.

17. FUNDRAISING:

During the years ended June 30, 2017 and 2016, expenses incurred for the purpose of fundraising were \$23,233 and \$25,531, respectively.

18. ADVERTISING COSTS:

Advertising and marketing costs are expensed when incurred. Marketing activities were conducted for the purpose of promoting open enrollment and recruiting to the Charter School and to provide outreach to the community. Advertising costs were incurred for the purpose of staff recruitment. Advertising and marketing expenses in the amount of \$2,216 and \$4,858 were incurred during the years ended June 30, 2017 and 2016, respectively.

19. RETIREMENT PLAN:

401(k) Profit Sharing Plan:

The Latin American Montessori Bilingual Public Charter School provides pension benefits for its employees through a defined contribution 401(k) retirement plan which is currently administered by John Hancock Financial Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

19. RETIREMENT PLAN: (Continued)

401(k) Profit Sharing Plan: (Continued)

The Charter School is required to make employer non-elective safe harbor contributions of 3% of annual employee compensation for employees with one or more years of employment. Participants are 100% vested in their contributions and the 3% employer safe harbor contribution. Authorized entry dates into the plan are January 1<sup>st</sup> and July 1<sup>st</sup> following the date that the eligibility requirements are met. There is no unfunded past service liability. In addition, there is a discretionary profit sharing contribution determined on an annual basis that becomes fully vested after five years of service. The Charter School's contributions for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
3% Safe Harbor	\$ 102,860	\$ 94,909
2% Profit Sharing	66,556	54,706
Plan Fee	<u>4,832</u>	<u>1,800</u>
Total	<u>\$ 174,248</u>	<u>\$ 151,415</u>

20. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Social Security/Medicare	\$ 337,369	\$ 284,699
Health Insurance	204,679	193,683
Health Reimbursement Account	83,259	74,972
Life and Disability Insurance	38,143	31,599
Retirement	174,248	151,415
Unemployment	21,366	25,585
Workers Compensation	16,760	15,208
De Minimus	<u>5,767</u>	<u>7,618</u>
Total	<u>\$ 881,591</u>	<u>\$ 784,779</u>

Flexible Benefits Plan:

The Latin American Montessori Bilingual Public Charter School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health and dental insurance premiums.

Health Reimbursement Account:

The Charter School adopted a Section 105 Health Reimbursement Account (HRA) effective August 1, 2014. Under this plan, employees are permitted to use employer provided tax-free dollars to pay for qualified health care expenses.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

21. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Depreciation	\$ 243,211	\$ 242,589
Interest Expense	267,820	276,822
Rent	813,672	634,172
Insurance - Building	13,988	15,711
Janitorial Services/Supplies	100,749	90,772
Maintenance and Repairs	118,771	44,255
Grounds Maintenance	4,215	12,147
Utilities	67,341	60,382
Security	15,640	15,092
Trash Removal	4,702	3,763
Pest Control	<u>1,875</u>	<u>1,500</u>
Total	<u>\$ 1,651,984</u>	<u>\$ 1,397,205</u>

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.  
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017				June 30, 2016			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Principal/Executive Salaries	\$ 448,133	\$ 314,358	\$ 119,059	\$ 14,716	\$ 372,621	\$ 250,095	\$ 106,525	\$ 16,001
Teachers' Salaries	1,625,430	1,625,430	-	-	1,533,945	1,533,945	-	-
Teachers' Aides/Assistants' Salaries	425,846	425,846	-	-	113,143	113,143	-	-
Other Educational Professional Salaries	1,343,981	1,343,981	-	-	1,278,258	1,278,258	-	-
Substitute Teacher Salaries	505,704	505,704	-	-	379,353	379,353	-	-
Clerical Salaries	275,949	230,095	45,854	-	225,780	187,094	38,686	-
Food Service Staff	15,658	15,658	-	-	12,297	12,297	-	-
Business Operation Salaries	111,366	89,093	22,273	-	69,911	55,929	13,982	-
Fiscal Salaries	88,680	-	88,680	-	88,680	-	88,680	-
Employee Benefits	522,856	500,641	20,596	1,619	474,495	453,636	18,954	1,905
Payroll Taxes	358,735	343,493	14,131	1,111	310,284	296,644	12,394	1,246
Staff Development Costs	<u>40,833</u>	<u>39,220</u>	<u>1,613</u>	<u>-</u>	<u>30,115</u>	<u>28,907</u>	<u>1,208</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 5,763,171</u>	<u>\$ 5,433,519</u>	<u>\$ 312,206</u>	<u>\$ 17,446</u>	<u>\$ 4,888,882</u>	<u>\$ 4,589,301</u>	<u>\$ 280,429</u>	<u>\$ 19,152</u>
<u>Direct Student Costs:</u>								
Food Service	\$ 167,054	\$ 167,054	\$ -	\$ -	\$ 244,867	\$ 244,867	\$ -	\$ -
Student Supplies and Materials	167,089	167,089	-	-	112,295	112,295	-	-
Contracted Instructional/Student Services	32,896	32,896	-	-	44,545	44,545	-	-
Special Education	54,897	54,897	-	-	55,885	55,885	-	-
Educational Subscriptions	17,821	17,821	-	-	15,382	15,382	-	-
Other Student Costs	<u>38,187</u>	<u>38,187</u>	<u>-</u>	<u>-</u>	<u>41,498</u>	<u>41,498</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 477,944</u>	<u>\$ 477,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 514,472</u>	<u>\$ 514,472</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Depreciation - Building	\$ 243,211	\$ 232,878	\$ 9,580	\$ 753	\$ 242,589	\$ 231,925	\$ 9,690	\$ 974
Interest Expense - Building	267,820	256,441	10,550	829	276,822	264,653	11,058	1,111
Rent	813,672	779,101	32,051	2,520	634,172	606,294	25,332	2,546
Building Insurance	13,988	13,394	551	43	15,711	15,020	628	63
Utilities	67,341	64,479	2,653	209	60,382	57,728	2,412	242
Contracted Building Services	26,432	25,309	1,041	82	32,502	31,074	1,298	130
Maintenance and Repairs	118,771	113,725	4,678	368	44,255	42,309	1,768	178
Janitorial Service/Supplies	<u>100,749</u>	<u>97,811</u>	<u>2,724</u>	<u>214</u>	<u>90,772</u>	<u>88,164</u>	<u>2,371</u>	<u>237</u>
Total Occupancy Costs	<u>\$ 1,651,984</u>	<u>\$ 1,583,138</u>	<u>\$ 63,828</u>	<u>\$ 5,018</u>	<u>\$ 1,397,205</u>	<u>\$ 1,337,167</u>	<u>\$ 54,557</u>	<u>\$ 5,481</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.  
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017				June 30, 2016			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 11,399	\$ 10,915	\$ 449	\$ 35	\$ 15,878	\$ 15,178	\$ 635	\$ 65
Equipment Rental and Maintenance	15,943	15,266	628	49	13,950	13,337	557	56
Telecommunications	20,905	20,017	823	65	11,221	10,727	448	46
Postage and Shipping	837	801	33	3	1,170	1,118	47	5
Printing and Copying	5,420	5,190	213	17	4,665	4,460	186	19
Consulting	111,420	110,920	500	-	2,755	-	2,755	-
Marketing and Promotion	<u>2,216</u>	<u>2,216</u>	<u>-</u>	<u>-</u>	<u>4,858</u>	<u>4,858</u>	<u>-</u>	<u>-</u>
Total Office Expenses	<u>\$ 168,140</u>	<u>\$ 165,325</u>	<u>\$ 2,646</u>	<u>\$ 169</u>	<u>\$ 54,497</u>	<u>\$ 49,678</u>	<u>\$ 4,628</u>	<u>\$ 191</u>
<u>General Expenses:</u>								
Insurance	\$ 18,409	\$ 17,681	\$ 728	\$ -	\$ 13,918	\$ 13,360	\$ 558	\$ -
Meeting Expenses	641	614	25	2	385	368	15	2
Licenses and Permits	2,040	1,953	81	6	5,483	5,242	219	22
Dues and Subscriptions	14,098	13,499	555	44	14,558	13,919	581	58
Travel	14,935	14,300	589	46	14,553	13,913	582	58
Accounting and Legal Services	256,611	231,711	24,900	-	34,593	9,693	24,900	-
Payroll Service Fee	16,585	15,881	653	51	13,695	13,093	547	55
Authorizer Fee	86,491	83,073	3,418	-	78,254	75,116	3,138	-
Investment in DCI Charter School	-	-	-	-	75,000	75,000	-	-
Depreciation	64,250	61,521	2,530	199	64,467	61,633	2,575	259
Moving Expenses	813	813	-	-	-	-	-	-
Office Expense	<u>21,382</u>	<u>20,295</u>	<u>835</u>	<u>252</u>	<u>17,210</u>	<u>16,276</u>	<u>681</u>	<u>253</u>
Total General Expenses	<u>\$ 496,255</u>	<u>\$ 461,341</u>	<u>\$ 34,314</u>	<u>\$ 600</u>	<u>\$ 332,116</u>	<u>\$ 297,613</u>	<u>\$ 33,796</u>	<u>\$ 707</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 8,557,494</u>	<u>\$ 8,121,267</u>	<u>\$ 412,994</u>	<u>\$ 23,233</u>	<u>\$ 7,187,172</u>	<u>\$ 6,788,231</u>	<u>\$ 373,410</u>	<u>\$ 25,531</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.  
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

June 30, 2017

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 6,538,129	\$ 15,348
Occupancy Cost	1,651,984	3,878
General and Administrative	349,166	819
Fundraising	<u>18,215</u>	<u>43</u>
Total	<u>\$ 8,557,494</u>	<u>\$ 20,088</u>

The above is the average per student cost for the year ended June 30, 2017, and is based on a full time equivalent (FTE) enrollment of 426 students.

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 5,451,064	\$ 14,575
Occupancy Cost	1,397,205	3,736
General and Administrative	318,853	853
Fundraising	<u>20,050</u>	<u>54</u>
Total	<u>\$ 7,187,172</u>	<u>\$ 19,218</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 374 students.

(See Accompanying Notes and Auditor's Report)

# Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors  
Latin American Montessori Bilingual  
Public Charter School, Inc.  
1375 Missouri Avenue NW  
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Latin American Montessori Bilingual Public Charter School, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2017.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Latin American Montessori Bilingual Public Charter School, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Latin American Montessori Bilingual Public Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Latin American Montessori Bilingual Public Charter School, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
September 27, 2017



LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no audit findings in the prior year.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL, INC.  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Latin American Montessori Bilingual Public Charter School, Inc., were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the Latin American Montessori Bilingual Public Charter School, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

II. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

There were no findings in the current year.